

# **The State, the Deep State, and the Wall Street Overworld**

**By Peter Dale Scott**

March 13, 2014 "[Information Clearing House](#) - "[Asia-Pacific Journal](#)"- In the last decade it has become more and more obvious that we have in America today what the journalists Dana Priest and William Arkin have called

two governments: the one its citizens were familiar with, operated more or less in the open: the other a parallel top secret government whose parts had mushroomed in less than a decade into a gigantic, sprawling universe of its own, visible to only a carefully vetted cadre – and its entirety...visible only to God.<sup>1</sup>

And in 2013, particularly after the military return to power in Egypt, more and more authors referred to this second level as America's "deep state."<sup>2</sup> Here for example is the Republican analyst Mike Lofgren:

There is the visible government situated around the Mall in Washington, and then there is another, more shadowy, more indefinable government that is not explained in Civics 101 or observable to tourists at the White House or the Capitol. The former is traditional Washington partisan politics: the tip of the iceberg that a public watching C-SPAN sees daily and which is theoretically controllable via elections. The subsurface part of the iceberg I shall call the Deep State, which operates according to its own compass heading regardless of who is formally in power.<sup>3</sup>

At the end of 2013 a New York Times Op-Ed noted this trend, and even offered a definition of the term that will work for the purposes of this essay:

DEEP STATE n. A hard-to-perceive level of government or super-control that exists regardless of elections and that may thwart popular movements or radical change. Some have said that Egypt is being manipulated by its deep state.<sup>4</sup>

The political activities of the deep state are the chief source and milieu of what I have elsewhere called "deep politics:" "all those political practices and arrangements, deliberate or not, which are usually repressed rather than acknowledged."<sup>5</sup>

Others, like Tom Hayden, call the deep state a "state within the state," and suggest it may be responsible for the failure of the Obama administration to follow the policy guidelines of the president's speeches:

We have seen evidence of a "state within the state" before, going back as far as the CIA's operations against Cuba. In Obama's time, the president correctly named the 2009 coup in Honduras a "coup", and then seemed powerless to prevent it.<sup>6</sup>

This development of a two-level or dual state has been paralleled by two other dualities: the increasing resolution of American society into two classes – the "one percent" and the "ninety-nine percent" – and the bifurcation of the U.S. economy into two aspects: the domestic, still subject to some governmental regulation and taxation, and the international, relatively free from governmental controls.<sup>7</sup> All three developments have affected and intensified each other – particularly since the

Reagan Revolution of 1980, which saw American inequality of wealth cease to diminish and begin to increase.<sup>8</sup> Thus for example we shall see how Wall Street – the incarnation of the “one percent” – played a significant role in increasing the deep state after World War Two, and how three decades later the deep state played a significant role in realigning America for the Reagan Revolution.

In earlier books I have given versions of this America-centered account of America’s shift into empire and a deep state. But another factor to be mentioned is the shift of global history towards an increasingly global society dominated by a few emergent superpowers. This trend was accelerated after the Industrial Revolution by new technologies of transport, from the railroad in the 19<sup>th</sup> century to the jet plane and space travel in the 20<sup>th</sup>.<sup>9</sup>

In the fallout from this rearrangement we must include two world wars, as a result of which Britain ceased to act as the dominant superpower it had been since Napoleon. Not surprisingly, the Soviet Union and the United States subsequently competed in a Cold War to fill the gap. It was not however predetermined that the Cold War would be as thuggish and covertly violent as for decades it continued to be. For that we should look to more contingent causes on both sides of the Iron Curtain – starting with the character of Stalin and his party but also including the partly responsive development of the American deep state.

### **The Deep State, The Shadow Government and the Wall Street Overworld**

The “deep state” was defined by the UK newsletter *On Religion* as “the embedded anti-democratic power structures within a government, something very few democracies can claim to be free from.”<sup>10</sup> The term originated in Turkey in 1996, to refer to U.S.-backed elements, primarily in the intelligence services and military, who had repeatedly used violence to interfere with and realign Turkey’s democratic political process. Sometimes the definition is restricted to elements within the government (or “a state-within-the state”), but more often in Turkey the term is expanded, for historical reasons, to include “members of the Turkish underworld.”<sup>11</sup> In this essay I shall use “deep state” in the larger sense, to include both the second level of secret government inside Washington and those outsiders powerful enough, in either the underworld or overworld, to give it direction. In short I shall equate the term “deep state” with what in 1993 I termed a “deep political system:” “one which habitually resorts to decision-making and enforcement procedures outside as well as inside those publicly sanctioned by law and society.”<sup>12</sup>

Like myself, Lofgren suggests an ambiguous symbiosis between two aspects of the American deep state:

- 1) the Beltway agencies of the shadow government, like the CIA and NSA, which have been instituted by the public state and now overshadow it, and
- 2) the much older power of Wall Street, referring to the powerful banks and law firms located there.

In their words,

It is not too much to say that Wall Street may be the ultimate owner of the Deep State and its strategies, if for no other reason than that it has the money to reward government operatives with a second career that is lucrative beyond the dreams of avarice –

certainly beyond the dreams of a salaried government employee.<sup>13</sup>

I shall argue that in the 1950s Wall Street was a dominating complex. It included not just banks and oil firms but also the oil majors whose cartel arrangements were successfully defended against the U.S. Government by the Wall Street law firm Sullivan and Cromwell, home to the Dulles brothers. This larger complex is what I mean by the Wall Street overworld.

### **The Long History of the Wall Street Overworld**

Lofgren's inclusion of Wall Street is in keeping with Franklin Roosevelt's observation in 1933 to his friend Col. E.M. House that "The real truth ... is, as you and I know, that a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson."<sup>14</sup>

FDR's insight is well illustrated by the efficiency with which a group of Wall Street bankers (including Nelson Rockefeller's grandfather Nelson Aldrich and Paul Warburg) were able in a highly secret meeting in 1910 to establish the Federal Reserve System – a system which in effect reserved oversight of the nation's currency supply and of all America's banks in the not impartial hands of its largest.<sup>15</sup> The political clout of the quasi-governmental Federal Reserve Board (where the federal Treasury is represented but does not dominate) was clearly demonstrated in 2008, when Fed leadership secured instant support from the successive administrations of a Texan Republican president, followed by a Midwest Democratic one, for public money to rescue the reckless management of Wall Street banks: banks Too Big To Fail, and of course far Too Big To Jail, but not Too Big To Bail.<sup>16</sup>

### **Wall Street and the Launching of the CIA**

Top-level Treasury officials, CIA officers, and Wall Street bankers and lawyers think alike because of the "revolving door" by which they pass easily from private to public service and back. In 1946 General Vandenberg, as Director of Central Intelligence (DCI), recruited Allen Dulles, then a Republican lawyer at Sullivan and Cromwell in New York, "to draft proposals for the shape and organization of what was to become the Central Intelligence Agency in 1947." Dulles promptly formed an advisory group of six men, all but one of whom were Wall Street investment bankers or lawyers.<sup>17</sup> Dulles and two of the six (William H. Jackson and Frank Wisner) later joined the agency, where Dulles proceeded to orchestrate policies, such as the overthrow of the Arbenz regime in Guatemala, that he had previously discussed in New York at the Council on Foreign Relations.<sup>18</sup>

There seems to be little difference in Allen Dulles's influence whether he was a Wall Street lawyer or a CIA director. Although he did not formally join the CIA until November 1950, he was in Berlin before the start of the 1948 Berlin Blockade, "supervising the unleashing of anti-Soviet propaganda across Europe."<sup>19</sup> In the early summer of 1948 he set up the American Committee for a United Europe (ACUE), in support of what became by the early 1950s "the largest CIA operation in Western Europe."<sup>20</sup>

### **The Deep State and Funds for CIA Covert Operations**

Wall Street was also the inspiration for what eventually became the CIA's first covert operation: the use of "over \$10 million in captured Axis funds to influence the [Italian] election [of 1948]."<sup>21</sup> (The

fundraising had begun at the wealthy Brook Club in New York; but Allen Dulles, still a Wall Street lawyer, persuaded Washington, which at first had preferred a private funding campaign, to authorize the operation through the National Security Council and the CIA.)<sup>22</sup>

Dulles's friend Frank Wisner then left Wall Street to oversee an enlarged covert operations program through the newly created Office of Policy Co-ordination (OPC). Dulles, still a lawyer, campaigned successfully to reconstruct Western Europe through what became known as the Marshall Plan.<sup>23</sup> Together with George Kennan and James Forrestal, Dulles also "helped devise a secret codicil [to the Marshall Plan] that gave the CIA the capability to conduct political warfare. It let the agency skim millions of dollars from the plan."<sup>24</sup>

This created one of the earlier occasions when the CIA, directly or indirectly, recruited local assets involved in drug trafficking. AFL member Irving Brown, the assistant of AFL official Jay Lovestone (a CIA asset), was implicated in drug smuggling activities in Europe, at the same time that he used funds diverted from the Marshall Plan to establish

a "compatible left" labor union in Marseilles with Pierre Ferri-Pisani. On behalf of Brown and the CIA, Ferri-Pisani (a drug smuggler connected with Marseilles crime lord Antoine Guerini), hired goons to shellack striking Communist dock workers.<sup>25</sup>

An analogous funding source for the CIA developed in the Far East: the so-called

"M-Fund," a secret fund of money of enormous size that has existed in Japan [in 1991] for more than forty years. The Fund was established by the United States in the immediate postwar era for essentially the same reasons that later gave rise to the Marshall Plan of assistance by the U.S. to Western Europe, including the Federal Republic of Germany..... The M-Fund was used not only for the building of a democratic political system in Japan but, in addition, for all of the purposes for which Marshall Plan funds were used in Europe.<sup>26</sup>

For at least two decades the CIA lavishly subsidized right-wing parties in countries including Japan and Indonesia, possibly still using captured Axis funds.<sup>27</sup> (One frequently encounters the claim that the source of the M-fund was gold looted by Japan during World War Two ("Yamashita's gold").<sup>28</sup>

As a general rule the CIA, rather than assimilating these funds into its own budget, appears to have left them off the books in the hands of cooperative allied powers – ranging from other U.S. agencies like the Economic Cooperation Administration (ECA, set up in 1948 to administer the Marshall Plan) to oil companies to powerful drug kingpins.<sup>29</sup>

The CIA never abandoned its dependency on funds from outside its official budget to conduct its clandestine operations. In Southeast Asia, in particular, its proprietary firm Sea Supply Inc., supplied an infrastructure for a drug traffic supporting a CIA-led paramilitary force, PARU.<sup>30</sup> The CIA appears also to have acted in coordination with slush funds from various U.S. government contracts, ranging from the Howard Hughes organization to (as we shall see) the foreign arms sales of U.S. defense corporations like Lockheed and Northrop.<sup>31</sup>

Lockheed Payoffs and CIA Clients: the Netherlands, Japan, Italy, Indonesia, and Saudi Arabia

Through the 1950s payouts from the M-fund were administered by Kodama Yoshio, “probably the CIA’s chief asset in Japan,” while “All accounts say that after the end of the occupation, the fund’s American managers came from the CIA.”<sup>32</sup> Kodama also received and distributed millions of funds from Lockheed to secure military contracts – an operation the CIA knew about but has never admitted involvement in.<sup>33</sup> Lockheed’s system of payoffs was world-wide; and one sees CIA involvement with it in at least four other countries: the Netherlands, Italy, Indonesia and Saudi Arabia. (Lockheed, the builder of the U-2, was a major CIA-cleared contractor.)<sup>34</sup>



**Kodama Yoshio, war criminal, drug trafficker, and purveyor of deep state US funds to Japanese politicians. [Source](#).**

The beneficiary in the Netherlands was Prince Bernhard, a close friend of CIA directors Walter Bedell Smith and Allen Dulles, and the organizer of the Bilderberg Group.<sup>35</sup> In the case of Italy, payments were handled through a contact (“Antelope Cobbler”) who turned out to be whoever was the Italian Prime Minister of the moment (always from one of the parties subsidized earlier by the CIA).<sup>36</sup>

In the revealing instance of Indonesia, Lockheed payments were shifted in May 1965, over the legal objections of Lockheed’s counsel, to a new contract with a company set up by the firm’s long-time local agent or middleman, August Munir Dasaad.<sup>86</sup> This was just six months after a secret U.S. decision to have the CIA covertly assist

“individuals and organizations prepared to take obstructive action against the PKI [Indonesian Communist Party].” Over the longer term this meant identifying and keeping tabs on “anti-regime elements” and other potential leaders of a post-Sukarno regime.<sup>37</sup>

Although Dasaad had been a long-time supporter of Sukarno, by May 1965 he was already building connections with Sukarno’s eventual successor, Gen. Suharto, via a family relative, General Alamsjah, who knew Suharto and was the beneficiary of the new Lockheed account.<sup>38</sup> After Suharto replaced Sukarno, Alamsjah, who controlled certain considerable funds, at once made funds available to Suharto, earning him the gratitude of the new President.<sup>39</sup>

While this was happening, Stanvac (a joint venture of the Standard companies known later as Exxon and Mobil) increased payments to the army’s oil company, Pertamina, headed by an eventual political ally of Suharto, General Ibnu Sutowo. Alamsjah is said to have been allied with Ibnu Sutowo in plotting against Sukarno, along with a well-connected Japanese oilman, Nishijima Shigetada.<sup>40</sup> After Suharto’s overthrow of Sukarno, Fortune wrote that “Sutowo’s still small company played a key part in bankrolling those crucial operations, and the army has never forgotten it.”<sup>41</sup>

We shall deal later with the special case of Lockheed kickbacks to Saudi Arabia, which were far greater than those to Japan. It is important to note, however, the linkage between Middle East oil and arms sales: as U.S. imports of Middle East oil increased, the pressure on the U.S. balance of payments was offset by increased U.S. arms sales to the region. “In the period 1963-1974, arms sales to the Middle East went from 10 per cent of global arms imports to 36 per cent, half of which was supplied by the United States.”<sup>42</sup>

Iran in 1953: How an Oil Cartel Operation Became a Job for the CIA <sup>or]</sup>

Wall Street, the Dulles Brothers, and the International Oil Cartel

The international lawyers of Wall Street did not hide from each other their shared belief that they understood better than Washington the requirements for running the world. As John Foster Dulles wrote in the 1930s to a British colleague,

The word “cartel” has here assumed the stigma of a bogeyman which the politicians are constantly attacking. The fact of the matter is that most of these politicians are highly insular and nationalistic and because the political organization of the world has under such influence been so backward, business people who have had to cope realistically with international problems have had to find ways for getting through and around stupid political barriers.<sup>43</sup>

This same mentality also explains why Allen Dulles as an OSS officer in 1945 simply evaded orders from Washington forbidding him to negotiate with SS General Karl Wolff about a conditional surrender of German forces in Italy – an important breach of Roosevelt’s agreement with Stalin at Yalta for unconditional surrender, a breach that is regarded by many as helping lead to the Cold War.<sup>44</sup> And it explains why Allen, as CIA Director in 1957, dealt summarily with Eisenhower’s

reluctance to authorize more than occasional U-2 overflights of the USSR, by secretly approving a plan with Britain’s MI-6 whereby U-2 flights could be authorized instead by the UK Prime Minister Macmillan.<sup>45</sup>



48 Wall Street, the former headquarters of both Sullivan and Cromwell and the J. Henry Schroder Banking Corporation. [Source.](#)

This mentality exhibited itself in 1952, when Truman’s Justice Department sought to break up the cartel agreements whereby Standard Oil of New Jersey (now Exxon) and four other oil majors controlled global oil distribution. (The other four were Standard Oil Company of New York, Standard Oil of California or Socony, Gulf Oil, and Texaco; together with Royal Dutch Shell and Anglo-Iranian, they comprised the so-called Seven Sisters of the cartel.) Faced with a government order to hand over relevant documents, Exxon’s lawyer Arthur Dean at Sullivan and Cromwell, where Foster was senior partner, refused: “If it were not for the question of national security, we would be perfectly willing to face either a criminal or a civil suit. But this is the kind of information the Kremlin would love to get its hands on.”<sup>46</sup>

At this time the oil cartel was working closely with the British



Anglo-Iranian Oil Company (AIOC, later BP) to prevent AIOC's nationalization by Iran's Premier Mossadeq, by instituting, in May 1951, a successful boycott of Iranian oil exports.

In May 1951 the AIOC secured the backing of the other oil majors, who had every interest in discouraging nationalisation.... None of the large companies would touch Iranian oil; despite one or two picturesque episodes the boycott held.<sup>47</sup>

As a result Iranian oil production fell from 241 million barrels in 1950 to 10.6 million barrels in 1952.

This was accomplished by denying Iran the ability to export its crude oil. At that time, the Seven Sisters controlled almost 99% of the crude oil tankers in the world for such export, and even more importantly, the markets to which it was going.<sup>48</sup>

But Truman declined, despite a direct personal appeal from Churchill, to have the CIA participate in efforts to overthrow Mossadeq, and instead dispatched Averell Harriman to Tehran in a failed effort to negotiate a peaceful resolution of Mossadeq's differences with London.<sup>49</sup>

All this changed with the election of Eisenhower in November 1952, followed by the appointment of the Dulles brothers to be Secretary of State and head of CIA. The Justice Department's criminal complaint against the oil cartel was swiftly replaced by a civil suit, from which the oil cartel eventually emerged unscathed.<sup>50</sup>



Eisenhower, an open friend of the oil industry...changed the charges from criminal to civil and transferred responsibility of the case from the Department of Justice to the Department of State – the first time in history that an antitrust case was handed to State for prosecution. Seeing as how the Secretary of State was John Foster Dulles and the defense counsel for the oil cartel was Dulles' former law firm (Sullivan and Cromwell), the case was soon as good as dead.<sup>51</sup>

Allen and John Foster Dulles, pillars of both the state and the deep state. [Source](#).

Thereafter

Cooperative control of the world market by the major oil companies remained in effect, with varying degrees of success, until the oil embargo of 1973-74. That the cooperation was more than tacit can be seen by the fact that antitrust regulations were specifically set aside a number of times during the 1950-1973 period, allowing the major companies to negotiate as a group with various Mideastern countries, and after its inception [in 1960], with the Organization of Petroleum Exporting Countries or OPEC.<sup>52</sup>

Also in November 1952 CIA officials began planning to involve CIA in the efforts of MI6 and the oil companies in Iran<sup>53</sup> — although its notorious Operation TP/AJAX to overthrow Mossadeq was not finally approved by Eisenhower until July 22, 1953.<sup>54</sup>

The events of 1953 strengthened the role of the oil cartel as a structural component of the American deep state, drawing on its powerful connections to both Wall Street and the CIA.<sup>55</sup> (Another such

component was the Arabian-American Oil Company or ARAMCO in Saudi Arabia, which increased oil production in 1951-53 to offset the loss of oil from Iran. Until it was fully nationalized in 1980, ARAMCO maintained undercover CIA personnel like William Eddy among its top advisors.)<sup>56</sup> The five American oil majors in particular were also strengthened by the success of AJAX, as Anglo-Iranian (renamed BP) was henceforth forced to share 40 percent of the oil from its Iran refinery with them.

Nearly all recent accounts of Mossadeq's overthrow treat it as a covert intelligence operation, with the oil cartel (when mentioned at all) playing a subservient role. However the chronology, and above all the belated approval from Eisenhower, suggest that it was CIA that came belatedly in 1953 to assist an earlier oil cartel operation, rather than vice versa. In terms of the deep state, the oil cartel or deep state initiated in 1951 a process that the American public state only authorized two years later. Yet the inevitable bias in academic or archival historiography, working only with those primary sources that are publicly available, is to think of the Mossadeq tragedy as simply a "CIA coup."

### **The CIA, Booz Allen Hamilton, and the Wall Street Overworld**

The "revolving door" also circulates top-level intelligence officials and the chiefs of the cleared contractors referred to by Mike Lofgren as part of the deep state. Tim Shorrock revealed in 2007 that "about 70 percent of the estimated \$60 billion the government spends every year on... intelligence" is outsourced to private intelligence contractors like Booz, Allen & Hamilton (now Booz Allen Hamilton) and SAIC.<sup>57</sup> For example Mike McConnell "went from being head of the National Security Agency under Bush 41 and Clinton directly to Booz Allen, one of the nation's largest private intelligence contractors, then became Bush's Director of National Intelligence (DNI), then went back to Booz Allen, where he is now Executive Vice President." Intelligence officers in government write the non-competitive contracts for the private corporations that they may have worked for and may work for again.<sup>58</sup> And over the years the "revolving door" has also exchanged personnel between Booz Allen and the international oil companies served by the firm.

The original firm of Booz, Allen, & Hamilton split in 2008 into Booz Allen Hamilton, focused on USG business, and Booz & Company in New York, assuming the old company's commercial and international portfolio. Booz Allen Hamilton is majority owned by the private equity firm the Carlyle Group, noted for its association with political figures like both presidents Bush.<sup>59</sup>



**Booz Allen Hamilton  
Headquarters. [Source.](#)**

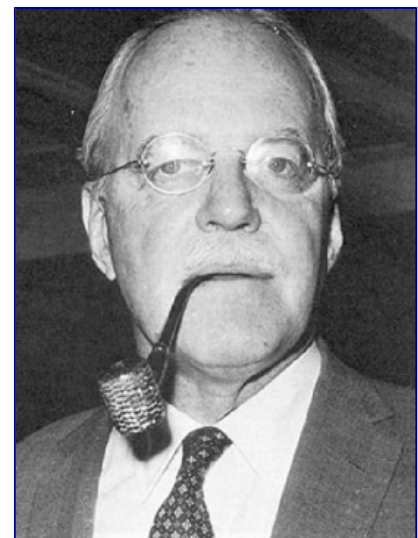
Lofgren points to the deep state importance of Booz Allen Hamilton, 99 percent of whose business dependent on the U.S. government.<sup>60</sup> Booz Allen has been linked in the media to NSA ever since its employee Edward Snowden decamped with NSA records. But Booz Allen, one of the oldest and largest of the "cleared contractors," has been intertwined with the CIA's covert operations since Allen Dulles became CIA Director in 1953.<sup>61</sup> In the same year, Booz Allen began "to take on several overseas assignments...: a land-registration system in the Philippines, a restructuring of Egypt's



customs operations and textile industries, and work for Iran's national oil company."<sup>62</sup> All three assignments overlapped with CIA covert ops in 1953, including the Philippine land distribution program which Edward Lansdale promoted in order to fight a Huk insurrection, and the CIA's operation TP/AJAX (with Britain's MI6) to rescue the Anglo-Iranian oil company (later BP).<sup>63</sup>

But the most important CIA-Booz Allen cooperation may have been in Egypt. In March 1953 Miles Copeland, having resigned from the CIA to join Booz-Allen, "returned to Cairo under what was, for all practical purposes, a joint CIA-BA&H mission."<sup>64</sup> In addition to offering management advice to the Egyptian government in general, and to a private textile mill, Miles also gave Nasser advice on establishing his intelligence service (the Mukhabarat), and "soon became his closest Western advisor" (as well as his top channel to the USG, more important than either the local US ambassador or CIA chief)<sup>65</sup>

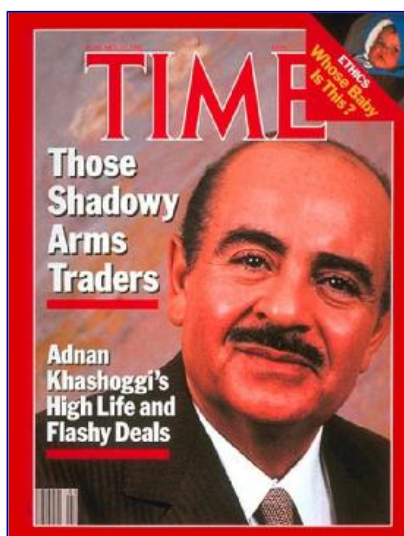
Copeland's role with Nasser did not make him a shaper of U.S. policy; his pro-Nasser views were largely subordinated to the pro-British anti-Nasserism of the Dulles brothers. But they did establish a bond between Copeland and the Eisenhower White House. By 1967, when Nixon was preparing to run for president, Copeland had taken a leave of absence from Booz Allen to become a prestigious and well-paid consultant for oil companies.



Miles Copeland, Jr.,  
ex-CIA, ex-Booz  
Allen @ Hamilton,  
ex-Khashoggi's  
private CIA. [Source.](#)

### The CIA, Miles Copeland, and Adnan Khashoggi

In 1966 Copeland, while technically on leave from Booz Allen, made close contact with Adnan Khashoggi, a young Arab who was in the course of becoming both a "principal foreign agent" of the U.S. and also extremely wealthy on the commissions he earned from Lockheed and other military firms on arms sales to Saudi Arabia.<sup>66</sup> ("To give some sense of the size of the business, the



Adnan Khashoggi,  
shadowy backer of  
politicians (Time,  
Jan. 19,  
1987). [Source.](#)

company acknowledged in the mid-1970s that it had provided \$106 million in commissions to Khashoggi between 1970 and 1975, more than ten times the level of payments made to the next most important connection, Yoshi [sic] Kodama of Japan."<sup>67</sup>

By Copeland's own account in 1989, this encounter with Khashoggi "put the two of us on a 'Miles-and-Adnan' basis that has lasted for more than twenty years of business, parties, and a very special kind of political action."<sup>68</sup> Copeland adds that

Adnan and I, separately had been called on by our respective friends in Langley [i.e., CIA] to... have an official [sic], off-the-record exchange of ideas on the emerging crisis in the Middle East, and come up with suggestions that the tame bureaucrats would like to have made but couldn't.<sup>69</sup>

Copeland almost immediately flew to Cairo and immersed himself in a series of high-level but ultimately unsuccessful efforts to forestall what soon became the 1967 Six Day Egyptian-Israeli Six Day War. By his account, his mission, though unsuccessful, gave a “tremendous boost” to his reputation, enabling him “to accelerate the attempt I had already started to establish a ‘private CIA’ by use of confidential arrangements with politically astute members of the client companies.”<sup>70</sup>

Copeland’s self-promoting claims are controversial, and a number of establishment writers have described his books as “unreliable.”<sup>71</sup> But eyewitness Larry Kolb corroborates that Copeland was close to Khashoggi, and that the two of them

had written a white paper... proposing that... rich countries, including not only the United States but also the Arab oil states, should establish a “Marshall Plan” for all the needy countries of the Middle East, including Israel.

Rewritten with Kolb’s assistance after consultation with the Reagan White House, the plan would be backed by a “Mideast Peace Fund” to which “Adnan was pledging a hundred million dollars of his own money.”<sup>72</sup>

The proposal failed, partly because of the Middle East’s resistance to negotiated solutions, but also partly because by the 1980s Khashoggi was no longer as rich and influential as he had once been. His function as an agent of influence in the Middle East and elsewhere had been sharply limited after the United States, by the Corrupt Federal Practices Act of 1978, outlawed direct payments by US corporations to foreign individuals. Henceforward the function of bestowing money and sexual favors on client politicians passed primarily from Khashoggi to another CIA connection, the Bank of Credit and Commerce International (BCCI).<sup>73</sup> A major shareholder in BCCI was Saudi intelligence chief Kamal Adham, Khashoggi’s friend and business partner and (according to the Senate BCCI Report) “the CIA’s former principal contact in the Arab Middle East.”<sup>74</sup>

What the story of the failed “Mideast Peace Fund” reveals is first, that Khashoggi (like BCCI after him) was of interest to Washington because of his ability to negotiate with both Israel and Arab countries; and second, that Copeland and what Copeland called his “private CIA,”<sup>75</sup> was in a commanding position as lead adviser to

Khashoggi, while still on unpaid leave from Booz Allen Hamilton.

### **Khashoggi, the CIA’s Asset Edward K. Moss, and Political Corruption**

A powerful connection was formed by combining Copeland’s political contacts with Khashoggi’s millions. Copeland may have been responsible for Khashoggi’s inspired choice of the under-recognized Edward K. Moss, another man with CIA connections, as his p.r. agent in Washington.<sup>76</sup>

Back in November 1962, the CIA, as part of its planning to get rid of Castro, decided to use Moss for the Political Action Group of the CIA’s Covert Action (CA) staff.<sup>77</sup> This was more than a year after the FBI had advised the CIA that Moss’s mistress Julia Cellini and her brother Dino Cellini were alleged to be procurers, while “the Cellini brothers have long been associated with the narcotics and white slavery rackets in Cuba.”<sup>78</sup>

This FBI report suggests an important shared interest between Moss and Khashoggi: sexual

corruption. Just as his uncle Yussuf Yassin had been a procurer of women for King Abdul-Aziz, so Khashoggi himself was said to have “used sex to win over U.S. executives.” The bill for the madam who supplied girls en masse to his yacht in the Mediterranean ran to hundreds of thousands of dollars.<sup>79</sup> Khashoggi made a practice of supplying those he wished to influence with dollars as well as sex.

The CIA of course was forbidden to use sex and money in this way in the United States, or to make in the United States the payments to right-wing politicians that characterized its behavior in the rest of the world. But no such prohibition applied to Khashoggi. According to Anthony Summers,

Khashoggi had courted Nixon in 1967 by putting a plane at his disposal to tour the Middle East after the Six-Day War. Soon afterward, using a proxy, he opened an account at Rebozo’s [Bebe Rebozo, Nixon’s close confidante] in Florida. He did so, he explained to Watergate prosecutors, hoping to “curry favor with Rebozo,” to get an entrée to the man who might become president, and to pursue business deals.<sup>80</sup>



**Khashoggi’s Superyacht Kingdom 5KR, now owned by Prince Al-Waleed bin Talal. [Source](#).**

Khashoggi in effect served as a “cutout,” or representative, in a number of operations forbidden to the CIA and the companies he worked with. Lockheed, for one, was conspicuously absent from the list of military contractors who contributed illicitly to Nixon’s 1972 election campaign. But there was no law prohibiting their official representative, Khashoggi, from cycling \$200 million through the bank of Nixon’s friend Bebe Rebozo.<sup>81</sup>

(Pierre Salinger heard from Khashoggi that in 1972 he had donated \$1 million to Nixon, corroborating the often-heard claim that Khashoggi had brought it in a briefcase to Nixon’s western White House in San Clemente, and then “forgotten” to take it away.)<sup>82</sup>

Khashoggi of course did not introduce such corruption to American politics; he merely joined a milieu where defense companies had used money and girls for years to win defense contracts in Washington and Las Vegas.<sup>83</sup> Prominent in this practice was Howard Hughes, whom Khashoggi soon joined in international investments. (After a Senate investigator on Khashoggi’s trail registered at the Hughes-owned Sands Hotel in Las Vegas, a blonde came unexpectedly to his hotel room, and said, “I’m here for your pleasure.”)<sup>84</sup>

But Khashoggi’s corruption channels and targets overlapped with those of others with CIA connections. In 1972 it was alleged that funds from the Paradise Island casino in the Bahamas were being secretly carried to Nixon and his friend Bebe Rebozo, by a casino employee. This was Seymour (Sy) Alter, who was both “a friend of Nixon and Rebozo since 1962” and also an associate of Edward Moss’s brother-in-law Eddie Cellini, the casino manager at Paradise Island.<sup>85</sup> The funds came from the Paradise Island Bridge Company, a company partly owned by an officer of Benguet International, a firm represented in America by Paul Helliwell.<sup>86</sup> It is likely that Nixon himself had

a hidden interest in the Bridge Company, which might explain the revelation through Operation Tradewinds that a “Richard M. Nixon” (not otherwise identified) had an account at Helliwell’s Castle Bank.<sup>87</sup>

Three facts point to a deep state interest in what might otherwise seem a matter of personal corruption. The first is that Paul Helliwell had set up two companies for the CIA — CAT Inc. (Later Air America) and SEA Supply Inc. in Bangkok — that became the infrastructure of the CIA’s covert operations with drug-trafficking armies in Southeast Asia.<sup>88</sup> The second is that Paul Helliwell’s banking partner, E.P. Barry, had been the postwar head of OSS Counterintelligence (X-2) in Vienna, which oversaw the recovery of SS gold in Operation Safehaven.<sup>89</sup> The third is that for over four decades persons from Booz Allen Hamilton have been among the very small group owning the profitable Paradise Island Bridge Company. (A recent partner in the Paradise Island Bridge Company is Booz Allen Senior Vice-President Robert Riegle.)<sup>90</sup>



The Safari Club, now the Fairmont Mount Kenya Safari Club. [Source](#).

### **Moss, Khashoggi, the Safari Club, and the International Overworld**

The power exerted by Khashoggi and Moss was not limited to Khashoggi’s access to funds and women. By the 1970s, Moss was chairman of the elite Safari Club in Kenya, where he invited Khashoggi in as majority owner.<sup>91</sup> The exclusive property became the venue for an alliance between intelligence agencies that wished to compensate for the CIA’s retrenchment in the wake of President

Carter’s election and Senator Church’s post-Watergate reforms.<sup>92</sup>

As former Saudi intelligence chief Prince Turki bin Faisal once told Georgetown University alumni,

In 1976, after the Watergate matters took place here, your intelligence community was literally tied up by Congress. It could not do anything. It could not send spies, it could not write reports, and it could not pay money. In order to compensate for that, a group of countries got together in the hope of fighting Communism and established what was called the Safari Club. The Safari Club included France, Egypt, Saudi Arabia, Morocco, and Iran.<sup>93</sup>

Prince Turki’s candid remarks— “your intelligence community was literally tied up by Congress. .... In order to compensate for that, a group of countries got together ... and established what was called the Safari Club.” — made it clear that the Safari Club, operating at the level of the deep state, was expressly created to overcome restraints established by political decisions of the public state in Washington.

Obviously the property owned by Khashoggi and Moss in Kenya should not be confused with the intelligence operation of the same name. But it would be wrong also to make a radical separation between the two: the two men Khashoggi and Moss would appear to be part of this supranational intelligence milieu.

Specifically Khashoggi’s activities of corruption by sex and money, after they too were somewhat



curtailed by Senator Church's post-Watergate reforms, appear to have been taken up by the Bank of Credit and Commerce International (BCCI), a bank where Khashoggi's friend and business partner Kamal Adham, the Saudi intelligence chief and Safari Club member, was a part-owner.<sup>94</sup>

### **The Safari Club Milieu: George H.W. Bush, Theodore Shackley, and BCCI**

The usual account of this super-agency's origin is that it was

the brainchild of Count Alexandre de Marenches, the debonair and mustachioed chief of France's CIA. The SDECE (Service de Documentation Extérieure et de Contre-Espionnage).... Worried by Soviet and Cuban advances in postcolonial Africa, and by America's post-Watergate paralysis in the field of undercover activity, the swashbuckling Marenches had come to Turki's father, King Faisal, with a proposition.... [By 1979] Somali president Siad Barre had been bribed out of Soviet embrace by \$75 million worth of Egyptian arms (paid for... by Saudi Arabia)

....<sup>95</sup>

Joseph Trento adds that "The Safari Club needed a network of banks to finance its intelligence operations,... With the official blessing of George Bush as the head of the CIA, Adham transformed... the Bank of Credit and Commerce International (BCCI), into a worldwide money-laundering machine."<sup>96</sup>

Trento claims also that the Safari Club then was able to work with some of the controversial CIA operators who were then forced out of the CIA by Turner, and that this was coordinated by perhaps the most controversial of them all: Theodore Shackley.

Shackley, who still had ambitions to become DCI, believed that without his many sources and operatives like [Edwin] Wilson, the Safari Club—operating with [former DCI Richard] Helms in charge in Tehran—would be ineffective. ... Unless Shackley took direct action to complete the privatization of intelligence operations soon, the Safari Club would not have a conduit to [CIA] resources. The solution: create a totally private intelligence network using CIA assets until President Carter could be replaced.<sup>97</sup>

Kevin Phillips has suggested that Bush on leaving the CIA had dealings with the bank most closely allied with Safari Club operations: the Bank of Credit and Commerce International (BCCI). In Phillips' words,

After leaving the CIA in January 1977, Bush became chairman of the executive committee of First International Bancshares and its British subsidiary, where, according to journalists Peter Truell and Larry Gurwin in their 1992 book 'False Profits' [p. 345], Bush 'traveled on the bank's behalf and sometimes marketed to international banks in London, including several Middle Eastern institutions.'<sup>98</sup>

Joseph Trento adds that through the London branch of this bank, which Bush chaired, "Adham's petrodollars and BCCI money flowed for a variety of intelligence operations"<sup>99</sup>



BCCI on the cover of Time, July 6, 1991. [Source](#).

It is clear moreover that BCCI operations, like Khashoggi's before them, were marked by the ability to deal behind the scenes with both the Arab countries and also Israel.<sup>100</sup>

It is clear that for years the American deep state in Washington was both involved with and protected BCCI. Acting CIA director Richard Kerr acknowledged to a Senate Committee "that the CIA had also used BCCI for certain intelligence-gathering operations."<sup>101</sup>

Later, a congressional inquiry showed that for more than ten years preceding the BCCI collapse in the summer of 1991, the FBI, the DEA, the CIA, the Customs Service, and the Department of Justice all failed to act on hundreds of tips about the illegalities of BCCI's international activities.<sup>102</sup>

Far less clear is the attitude taken by Wall Street banks towards the miscreant BCCI. The Senate report on BCCI charged however that the Bank of England "had withheld information about BCCI's frauds from public knowledge for 15 months before closing the bank."<sup>103</sup>

Of course the scope and influence of BCCI reflected changes in the global superstructure of finance since the oil price hikes of the 1970s. A recent study of the dangerously unstable concentration of ownership in the world showed only four recognizable Wall Street institutions among the top twenty: JPMorgan Chase & Co, the Goldman Sachs Group, Bank of New York Mellon Corp, and Merrill Lynch.<sup>104</sup> Of these, Bank of New York, the bank heavily involved in the 1990s looting of Russia, interlocked with BCCI through the Swiss banking activities of the international banker Bruce Rappaport, "thought to have ties to US and Israeli intelligence." (Alfred Hartmann, a board member of BCCI, was both vice-chairman of Rappaport's Swiss bank, Bank of New York-Intermaritime, and also head of BCCI's Swiss subsidiary, the Banque de Commerce et de Placements).<sup>105</sup>

The collapse of BCCI in 1991 did not see an end to systematic Saudi-financed political corruption in the U.S. and elsewhere. After a proposed major arms sale in the 1980s met enhanced opposition in Congress from the Israeli lobby, Saudi Arabia negotiated a multi-billion pound long-term contract with the United Kingdom – the so-called al-Yamamah deal. It developed much later that overpayments for the purchased weapons were siphoned off into a huge slush fund for political payoffs, including "hundreds of millions of pounds to the ex-Saudi ambassador to the US, Prince Bandar bin Sultan."<sup>106</sup> According to Robert Lacey, the payments to Prince Bandar were said to total one billion pounds over more than a decade, including "a suitcase containing more than \$10 million" that went to a Vatican priest for the CIA's long-time clients, the Christian Democratic Party.<sup>107</sup>

As we saw earlier, the CIA had "laundered over \$10 million in captured Axis funds to influence the [Italian] election [of 1948]."<sup>108</sup> These practices, in other words, survived the legal efforts to end them.

### **Conclusion: A Supranational Deep State**

The complex milieu of Khashoggi, the BCCI, and the Safari Club can be characterized as a supranational deep state, whose organic links to the CIA may have helped consolidate it. It is clear however that decisions taken at this level by the Safari Club and BCCI were in no way guided by



the political determinations of those elected to power in Washington. On the contrary, Prince Turki's candid remarks revealed that the Safari Club (with the alleged participation of two former CIA Directors, Bush and Helms) was expressly created to overcome restraints established by political decisions in Washington.

A former Turkish president and prime minister once commented that the Turkish deep state was the real state, and the public state was only a "spare state," not the real one.<sup>109</sup> A better understanding of the American deep state is necessary, if we are to prevent it from assuming permanently the same role.

*Peter Dale Scott, a former Canadian diplomat and English Professor at the University of California, Berkeley, is the author of [Drugs Oil and War](#), [The Road to 9/11](#), and [The War Conspiracy: JFK, 9/11, and the Deep Politics of War](#). His most recent book is [American War Machine: Deep Politics, the CIA Global Drug Connection and the Road to Afghanistan](#). His website, which contains a wealth of his writings, is [here](#).*

## Notes

<sup>1</sup> Dana Priest and William Arkin, *Top Secret America: The Rise of the New American Security State* (New York: Little Brown, 2011), 52.

<sup>2</sup> E.g. Marc Ambinder and D.G. Grady, *Deep State: Inside the Government Secrecy Industry* (New York: Wiley, 2013); cf. John Tirman, "[The Quiet Coup: No, Not Egypt. Here](#)," HuffingtonPost, July 9, 2013: "Now we know: the United States of America is partially governed by a deep state, undemocratic, secret, aligned with intelligence agencies, spying on friend and foe, lawless in almost every respect."

<sup>3</sup> Mike Lofgren, "[A Shadow Government Controls America](#)," Reader Supported News, February 22, 2014.

<sup>4</sup> Grant Barrett, "[A Wordnado of Words in 2013](#)," New York Times, December 21, 2013.

<sup>5</sup> Peter Dale Scott, *Deep politics and the death of JFK* (Berkeley: University of California Press, 1998), 7.

<sup>6</sup> "[Tom Hayden discussing the crisis in Venezuela](#)," Tikkun, February 25, 2014.

<sup>7</sup> To take a single telling example, six of Sam Walton's heirs are now reportedly wealthier than the bottom 30% of Americans, or 94.5 million people (Tim Worstall, "[Six Waltons Have More Wealth Than the Bottom 30% of Americans](#)," Forbes, December 14, 2011). Cf. the devastating picture of a disintegrating America in George Packer, *The Unwinding: An Inner History of the New America* (New York: Farrar, Straus and Giroux, 2013).

<sup>8</sup> See Kevin Phillips, *The politics of rich and poor: wealth and the American electorate in the Reagan aftermath* (New York: HarperCollins, 1991). Cf. John T. Stinson, *The Reagan Legacy* (Bloomington, IN: iUniverse, 2009), 146; Timothy Noah, *The great divergence: America's growing inequality crisis and what we can do about it* (New York: Bloomsbury, 2012).

<sup>9</sup> For the impact of railroads on expanded social awareness, see Benedict Anderson, *Imagined*

communities: reflections on the origin and spread of nationalism (London: Verso, 1991).

<sup>10</sup> [“What is the Deep State?”](#) On Religion [2013].

<sup>11</sup> Gareth Jenkins, [“Susurluk and the Legacy of Turkey’s Dirty War,”](#) Terrorism Monitor, May 1, 2008; quoted in Peter Dale Scott, [“9/11, Deep State Violence and the Hope of Internet Politics,”](#) Global Research, June 11, 2008. For the Susurluk incident, see also Scott, American War Machine, 19-20, etc.

<sup>12</sup> Scott, Deep Politics and the Death of JFK, xi-xii.

<sup>13</sup> Lofgren, “A Shadow Government Controls America.”

<sup>14</sup> Quoted in Peter Dale Scott, The Road to 9/11: Wealth, Empire, and the Future of America, 1.

<sup>15</sup> Forbes magazine founder Bertie Charles Forbes wrote six years later: “Picture a party of the nation’s greatest bankers stealing out of New York on a private railroad car under cover of darkness, stealthily riding hundred[s] of miles South, embarking on a mysterious launch, sneaking onto an island [the appropriately named Jekyll Island] deserted by all but a few servants, living there a full week under such rigid secrecy that the names of not one of them was once mentioned, lest the servants learn the identity and disclose to the world this strangest, most secret expedition in the history of American finance. I am not romancing; I am giving to the world, for the first time, the real story of how the famous Aldrich currency report, the foundation of our new currency system, was written (B.C. Forbes, Leslie’s Weekly, October 19, 1916; in T. Cushing Daniel, Real money versus false money-bank credits; the most important factor in civilization and least understood by the people. Washington, D.C., The Monetary educational bureau, 1924], 169; cf. B.C. Forbes, Men who are making America [New York: Forbes Publishing Co., 1922], 398; cf. G. Edward Griffin, The Creature from Jekyll Island: A Second Look at the Federal Reserve [Westlake Village, CA: American Media, 1994]). Paul Warburg later wrote that “Though eighteen years have since gone by, I do not feel free to give a description of this most interesting conference, concerning which Senator Aldrich pledged all participants to secrecy” (Paul Warburg, The Federal Reserve System: Its Origin and Growth [New York, Macmillan, 1930], ZZ).

<sup>16</sup> Congress was persuaded to provide perfunctory support of the bailout, under an alleged mysterious threat of martial law. See Peter Dale Scott, [“Martial Law, the Financial Bailout, and War,”](#) Global Research, January 8, 2009; reprinted in Michel Chossudovsky and Andrew Gavin Marshall, eds., The Global Economic Crisis: The Great Depression of the XXI Century (Montreal, Global Research Publishers. Centre for Research on Globalization, 2010), 219-40; Llewellyn H. Rockwell, Jr., [“Sen. Inhofe: \[Henry\] Paulsen \[Secretary of the Treasury and former Chief Executive Officer of Goldman Sachs\] Threatened Martial Law To Pass Bailout,”](#) LewRockwell.com, November 20, 2008.

<sup>17</sup> Richard Helms with William Hood A look over my shoulder: a life in the Central Intelligence Agency (New York: Random House, 2003), 82-83. Cf. Scott, American War Machine, 26-28.

<sup>18</sup> Laurence H Shoup and William Minter, Imperial brain trust: the Council on Foreign Relations and United States foreign policy (New York: Monthly Review Press, 1977).

- <sup>19</sup> Gordon Thomas, *Secret Wars: One Hundred Years of British Intelligence Inside MI5 and MI6* (New York: Thomas Dunne Books/ St. Martin's Press, 2009), 98. This may have occurred during Dulles's visit to Europe in the spring of 1947 (James Srodes, *Dulles: Master of Spies* [Washington: Henry Regnery, 1999], 392).
- <sup>20</sup> Richard Aldrich, *The Hidden Hand: Britain, America, and Cold War secret intelligence* (Woodstock, NY: Overlook Press, 2001), 343. Dulles also chaired the executive committee of the companion National Committee for a Free Europe (behind the Iron Curtain), whose legal affairs were handled by Sullivan and Cromwell (Wilson D. Miscamble, *George F. Kennan and the Making of American Foreign Policy, 1947-1950* (Princeton, NJ: Princeton University Press, 1992), 204.
- <sup>21</sup> Amy B. Zegart, *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford: Stanford UP, 1999), 189; citing Christopher Andrew, *For the President's Eyes Only* (New York: HarperCollins, 1995), 172; see also Church Committee, Final Report, Book 4, 28-29.
- <sup>22</sup> David Wise and Thomas B. Ross, *The Espionage Establishment* (New York: Random House, 1967), 166; Scott, *Road to 9/11*, 13.
- <sup>23</sup> "In January 1946 Dulles outlined in some detail a reconstruction plan that is one of the earliest notions of what would, a year later, be known as the Marshall Plan" (Srodes, *Allen Dulles: Master of Spies*, 374).
- <sup>24</sup> Tim Weiner, *Legacy of ashes: the history of the CIA* (New York: Doubleday, 2007), 28.
- <sup>25</sup> Douglas Valentine, "[The French Connection Revisited: The CIA, Irving Brown, and Drug Smuggling as Political Warfare](#)," *Covert Action*.
- <sup>26</sup> Norbert Schlei, "[Japan's 'M-Fund' Memorandum, January 7, 1991](#)," JPRI [Japan Policy Research Institute] Working Paper No. 11: July 1995: "Incident to the revision of the Security Treaty [in 1960], Vice President Nixon agreed to turn over exclusive control of the M-Fund to Japan. It has been alleged that this action by Nixon was part of a corrupt political bargain, whereby it was agreed that if Japan would assist him to become President of the United States, Nixon would agree to release control of the Fund to Japan and, if he became President, would return Okinawa to Japan."
- <sup>27</sup> "C.I.A. Spent Millions to Support Japanese Right in 50's and 60's," *New York Times*, October 9, 1994. Cf. Scott, *American War Machine*, 93-94, 298-99; citing Chalmers Johnson, "[The 1955 System and the American Connection: A Bibliographic Introduction](#)," JPRI [Japan Policy Research Institute] Working Paper No. 11: July 1995.
- <sup>28</sup> Sterling Seagrave and Peggy Seagrave, *Gold warriors: America's secret recovery of Yamashita's gold* (London: Verso, 2003). Cf. Richard Hoyt, *Old Soldiers Sometimes Lie* (New York: Forge, 2002), 80.
- <sup>29</sup> Scott, *American War Machine*, 94, etc.
- <sup>30</sup> Scott, *American War Machine*,
- <sup>31</sup> Norman Mailer, "A Harlot High and Low: Reconnoitering Through the Secret Government,"

New York, August 16, 1976 (Hughes); Michael Schaller, *Altered states: the United States and Japan since the occupation* (New York: Oxford University Press, 1997), 294 (Lockheed).

<sup>32</sup> Johnson, "The 1955 System and the American Connection."

<sup>33</sup> David E. Kaplan and Alec Dubro, *Yakuza: Japan's Criminal Underworld* (Berkeley: University of California Press, 2003), 89-90. Cf. Jonathan Marshall, in William O. Walker, III, ed., *Drug control policy: essays in historical and comparative perspective* (University Park, PA: Pennsylvania State University Press, 1992), 108:

"Yoshio Kodama's fortune, built of profits from tungsten and opium, established the party that today rules Japan.... Kodama contributed to the pervasive corruption of Japanese politics by steering huge corporate contributions into the coffers of favored LDP members. This pattern culminated in the Lockheed scandal, which revealed that multi-million-dollar payoff by American aerospace firms had swayed key procurement decisions by Japan's national airline and defense establishment and raised the possibility that the CIA had used Kodama and corporate funds to influence Japanese politics. The money-laundering channel used for Lockheed's bribes was favored both by the CIA and international drug traffickers."

<sup>34</sup> Thomas Fensch, ed. *The C.I.A. and the U-2 Program: 1954-1974* (The Woodlands, TX: New Century Books, 2001).

<sup>35</sup> William D. Hartung, *Prophets of war: Lockheed Martin and the making of the military-industrial complex* (New York: Nation Books, 2011), 121; David Boulton, *The Grease Machine* (New York: Harper & Row, 1978), 97 (friends).

<sup>36</sup> Andrew Feinstein, *The shadow world: inside the global arms trade* (New York: Farrar, Straus and Giroux, 2011), 265; Anthony Sampson, *The Arms Bazaar* (New York: Viking, 1977), 135-36.

<sup>37</sup> Bradley R. Simpson, *Economists with guns: authoritarian development and U.S.-Indonesian relations, 1960-1968* (Stanford: Stanford University Press, 2008), 142;

quoting from CIA, "Political Action Project," November 19, 1964; FRUS, 1964-1968, 26:181-84.

<sup>38</sup> In addition there was "a US deal to deliver 200 light aircraft to the Indonesian Army in July 1965." The aircraft went to the army's Diponegoro division, which "as well as supplying the bulk of the [September 30] 'coup' personnel in Java, ... also provided the bulk of the personnel for its suppression" (Nathaniel Mehr, *Constructive bloodbath' in Indonesia: the United States, Britain and the mass killings of 1965-66* [Nottingham: Spokesman Books, 2009], 36).

<sup>39</sup> Peter Dale Scott, "[The United States and the Overthrow of Sukarno, 1965-1967](#)," *Pacific Affairs*, 58, Summer 1985.; citing United States. Congress. Senate. Committee on Foreign Relations, *Multinational corporations and United States foreign policy*, hearings before the Subcommittee on Multinational Corporations (Washington: U.S. Govt. Printing Office, 1973-1976).

<sup>40</sup> Masashi Nishihara, *The Japanese and Sukarno's Indonesia: Tokyo-Jakarta relations, 1951-1966* (Honolulu: University Press of Hawaii, 1976), 171, 194, 202; Scott, "The United States and the Overthrow of Sukarno."

<sup>41</sup> Fortune, July 1973, 154, cf. Wall Street Journal, April 18, 1967.

<sup>42</sup> John Dumbrell and Axel R Schäfer (eds.), America's 'special relationships': foreign and domestic aspects of the politics of alliance (London: Routledge, 2009), 187.

<sup>43</sup> John Foster Dulles to Lord McGowan, Chairman of Imperial Chemical Industries; in Nancy Lisagor and Frank Lipsius, A law unto itself: the untold story of the law firm of Sullivan & Cromwell (New York: Morrow, 1988), 127.

<sup>44</sup> Charles T. O'Reilly, Forgotten Battles: Italy's War of Liberation, 1943-1945 (Lanham, MD: Lexington Books, 2001), 288; Peter Dale Scott, "How Allen Dulles and the SS Preserved Each Other," Covert Action Information Bulletin, 25 (Winter 1986), 4-14. Dulles's plans to use SS resources in post-war Germany can be seen as part of a successful plan to frustrate the implementation of Roosevelt's so-called Morgenthau Plan to deindustrialize Germany.

<sup>45</sup> Stephen Dorril, MI6, 659-660.

<sup>46</sup> Ovid Demaris, Dirty Business: The Corporate-Political Money-Power Game (New York: Avon, 1974), 213-14.

<sup>47</sup> J.P.D. Dunbabin, International relations since 1945 : a history in two volumes

(London: Longman, 1994), Vol 2, 344. The boycott is denied without argumentation in Exxon's corporate history (Bennett H. Wall et al., Growth in a changing environment: a history of Standard Oil Company (New Jersey), Exxon Corporation, 1950-1975 (New York: McGraw-Hill, 1988), Vol. 4, 476: "Despite oft-printed statements to the contrary, the oil majors did not conspire to boycott NIOC oil."

<sup>48</sup> Robert Palmer Smith, Darkest truths of black gold: an oil industry executive breaks the industry's code of silence (New York: iUniverse, 2007), 256. In July 1952 Mossadeq attempted to break the embargo by contracting to sell oil to a small private Italian oil firm. The manoeuvre was frustrated by the British Royal Navy, which in July 1952 intercepted the Italian tanker Rose Mary and redirected it to Aden. The news dissuaded other tankers from trying to reach Abadan (Mary Ann Heiss, Empire and Nationhood: The United States, Great Britain, and Iranian Oil, 1950-1954 [New York: Columbia University Press, 1997], 130; Stephen Kinzer, All the Shah's men: an American coup and the roots of Middle East terror [Hoboken, NJ: John Wiley & Sons, 2003], 136).

<sup>49</sup> Mostafa Elm, Oil, Power, and Principle: Iran's Oil Nationalization and Its Aftermath (Syracuse, NY: Syracuse University Press, 1992), 198-99 (Churchill); Robert Moskin, American Statecraft: The Story of the U.S. Foreign Service (New York: Thomas Dunne Books/ St. Martin's Press, 2013), 627-28 (Harriman).

<sup>50</sup> Demaris, Dirty Business, 214-25: "The incoming Eisenhower Administration... quickly dropped the criminal case. The civil suit that was instituted alleged that the five American oil companies violated the Sherman Antitrust and the Wilson Tariff Acts by conspiring to divide and control foreign production and distribution.... An inadequate staff was assigned to the case and the action finally petered out a decade later with a couple of meaningless consent decrees."

<sup>51</sup> Robert Sherrill, *The oil follies of 1970-1980: how the petroleum industry stole the show (and much more besides)* (Garden City, NY: Anchor Press/Doubleday, 1983), 221).

<sup>52</sup> William R. Freudenburg and Robert Gramling, *Oil in troubled waters: perceptions, politics, and the battle over offshore drilling* (Albany : State University of New York Press, 1994); 17; citing Shukri Mohammed Ghanem, *OPEC, the Rise and Fall of an Exclusive Club* (London : KPI, 1986); Mira Wilkins, "The Oil Companies in Perspective," in Raymond Vernon (ed.), *The Oil Crisis* (New York: Norton, 1976).

<sup>53</sup> William Roger Louis, "Britain and the Overthrow of Mossadeq," in Mark J. Gasiorowski and Malcolm Byrne (eds.), *Mohammad Mosaddeq and the 1953 coup in Iran* (Syracuse: Syracuse University Press, 2004), 168. Cf. William R. Clark, *Petrodollar warfare: oil, Iraq and the future of the dollar* (Gabriola Island, B.C.: New Society Publishers, 2005), 125: "[T]he Dulles brothers had already conceived a plot when Eisenhower became president in January 1953."

<sup>54</sup> Scot Macdonald, *Rolling the iron dice : historical analogies and decisions to use military force in regional contingencies* (Westport, CT: Greenwood Press, 2000), 98. Cf. Richard H. Immerman, *John Foster Dulles: Piety, Pragmatism, and Power in U.S. Foreign Policy* (Wilmington, DE: Scholarly Resources, 1999), 67. Allen Dulles played a personal role in TP/AJAX, by flying to Italy and persuading the frightened Shah to return to Tehran.

<sup>55</sup> In the past, wishing to dissociate the term "deep state" from organizational connotations, I have written of the American "deep state" as "a milieu both inside and outside government with the power to steer the history of the public state and sometimes redirect it" ("[William Pawley, the Kennedy Assassination, and Watergate](#)," Global Research, November 29, 2012. But because there are extra-governmental structural components to the deep state, it might be better to think of it as not just a milieu, but more analogous to an oligopolistic market.

<sup>56</sup> See Chalmers A Johnson, *The Sorrows of Empire: Militarism, Secrecy, and the End of the Republic* (New York: Metropolitan Books, 2004), 218-19; Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso Books, 2011), 212.

<sup>57</sup> Tim Shorrock, *Spies for Hire* (New York: Simon & Schuster, 2008), 6.

<sup>58</sup> Glenn Greenwald, "[Mike McConnell, the WashPost & the dangers of sleazy corporatism](#)," Salon, March 29, 2010.

<sup>59</sup> George H. W. Bush was an adviser to Carlyle, which in its early days "backed a management-led buyout of Caterair and appointed George W Bush to the board" (Jamie Doward, "[Bush Sr's Carlyle Group Gets Fat On War And Conflict](#),"

The Observer, March 25, 2003.)

<sup>60</sup> Lofgren, "A Shadow Government Controls America."

<sup>61</sup> Booz Allen Hamilton's headquarters is now in McLean, Virginia, close to the HQ of the CIA.

<sup>62</sup> Art Kleiner, [Booz Allen Hamilton: Helping Clients Envision the Future](#)



(Old Saybrook, CT: Greenwich Publishing, 2004), 43.

<sup>63</sup> John Prados, *Safe for Democracy: The Secret Wars of the CIA* (Chicago: Ivan R. Dee, 2006.), 139. Cf. Christine N. Halili, *Philippine History* (Manila: Rex Book Store, 2004), 258 (Philippines land distribution).

<sup>64</sup> Miles Copeland, *The Game Player: the confessions of the CIA's original political operative* (London: Aurum Press, 1989), 158.

<sup>65</sup> Ephraim Kahana and Muhammad Suwaed, *Historical dictionary of Middle Eastern intelligence* (Lanham, MD: Scarecrow Press, 2009), 65 {"advisor"}; Jack O'Connell, *King's Counsel: A Memoir of War, Espionage, and Diplomacy in the Middle East*

(New York : W.W. Norton & Co., 2011), 20 (channel).

<sup>66</sup> *The BCCI Affair: BCCI, the CIA and Foreign Intelligence*, Report to the U.S. Senate Committee on Foreign Relations by John Kerry and Hank Brown, December 1992; 102<sup>nd</sup> Congress, 2<sup>nd</sup> Session, Senate Print 102-140 ("agent").

<sup>67</sup> William D. Hartung, *Prophets of war: Lockheed Martin and the making of the military-industrial complex* (New York: Nation Books, 2011), 126.

<sup>68</sup> Copeland, *The Game Player*, 231.

<sup>69</sup> Copeland, *The Game Player*, 233.

<sup>70</sup> Copeland, *The Game Player*, 239.

<sup>71</sup> E.g. Evan Thomas, *The Very Best Men: Four Who Dared: The Early Years of the CIA* (New York: Simon & Schuster, 1995), 380.

<sup>72</sup> Larry J. Kolb, *Overworld: The Life and Times of a Reluctant Spy* [New York: Riverhead/Penguin, 2004], 237-38. Cf. Copeland, *The Game Player*, 230, 262-63; Ronald Kessler, *The Richest Man in the World: The Story of Adnan Khashoggi* (New York: Warner Books), 300-01: "[O]n May 17, 1983, [Khashoggi] submitted to President Reagan a confidential 'yellow paper' [which] proposed an economic aid program similar to the 1949 Marshall Plan developed by the U.S. for Europe. Called a Peace Fund, it would provide up to \$300 billion in regional economic aid from the U.S., Saudi Arabia and Kuwait to Israel and any Arab country that signed a peace treaty with it."

<sup>73</sup> Peter Dale Scott, "[Deep Events and the CIA's Global Drug Connection](#)," 911truth.org, October 12, 2008; *American War Machine*, 160-65.

<sup>74</sup> "[The BCCI Affair](#)." Khashoggi's status had declined, but by no means vanished. As late as 2003, Khashoggi was negotiating with Richard Perle, a member of the Cheney-Rumsfeld clique who at the time was still Chairman of the U.S. Defense Policy Board, to invest considerable Saudi money in Perle's company Trireme (Seymour Hersh, *New Yorker*, 3/17/03).

<sup>75</sup> Copeland, *Game Player*, 239; cf. 2128.

<sup>76</sup> Kessler, *The Richest Man in the World*, 84, 188, etc.; Scott, *American War Machine*, 158-62.

<sup>77</sup> “Moss, Edward K. #172 646,” CIA Memo of 19 April 1967, NARA #104-10122-10006; CIA Inspector General’s Report on CIA-Mafia Plots to Assassinate Fidel Castro, NARA # 104-10213-10101, p. 38. Cf. memo of 7 November 1962 in CIA’s Edward K. Moss folder, p. 26, NARA #1994.05.03.10:54:53:780005.

<sup>78</sup> “Manuel Antonio Varona,” FBI Memorandum of January 16, 1961 to A. H. Belmont, p. 2, 105-76826-20; NARA #124-90055-10139. Cf. “Moss, Edward K. #172 646,” CIA Memo of 14 May 1973, in Meyer Lansky Security File, p. 9, NARA #1993.08.13.17:42:12:560059; CIA letter of 16 December 1960 to FBI, FBI file 105-76826-18; NARA #124-90055-10133. The CIA itself had notified the FBI on December 16, 1960, that Julia “Cellino” had advised that her brothers “have long been associated in the narcotics and white slavery rackets in Cuba (CIA letter of 16 December 1960 to Director, FBI, FBI File 105-76826-18; NARA #124-90055-10133; apparently no copy of this letter has been released from CIA files).

<sup>79</sup> Kessler, *Richest Man in the World*, 29 (Yassin), 275–78 (Khashoggi). A friend of Khashoggi’s, Larry Kolb, reports that Khashoggi himself essentially corroborated the story that Khashoggi and John Kennedy had a friendship in the 1950s that “evolved primarily out of whoring together” (Larry J. Kolb, *Overworld: The Life and Times of a Reluctant Spy* [New York: Riverhead/Penguin, 2004], 236). The woman who destroyed the presidential aspirations of Senator Gary Hart in 1987 was one of Khashoggi’s many girls.

<sup>80</sup> Anthony Summers with Robbyn Swan, *The Arrogance of Power: The Secret World of Richard Nixon* (New York: Viking, 2000), 283. Cf. Kessler, *The Richest Man in the World*, 171: Khashoggi told the prosecutors “that he churned millions through the tiny [Rebozo] bank to win favor with the president.”

<sup>81</sup> Investigative reporter Jim Hougan reports the incredulity of congressional investigators that Lockheed was the only large corporation not to have made a contribution to Nixon’s 1972 election campaign (Hougan, *Spooks*, 457–58).

<sup>82</sup> Scott, *Road to 9/11*, 35; citing Summers, *Arrogance of Power*, 283; Robert Baer, *Sleeping with the Devil* (New York: Crown, 2003), 43. (Baer reports the year of the briefcase as 1968, not 1972.) Kolb (“unequivocally, and from personal experience”) denies the briefcase story (*Overworld*, 299).

<sup>83</sup> Scott, *Deep politics and the death of JFK*, 234-39.

<sup>84</sup> Kessler, *Richest Man in the World*, 129, 160-61. When Hughes flew from Las Vegas to the Paradise Island casino in the Bahamas (where Edward Moss’s brother-in-law Eddie Cellini was casino manager, he did so on a Khashoggi plane. (Kessler, *Richest Man*, 149-50).

<sup>85</sup> Summers with Swan, *The Arrogance of Power*, 242, 252; Jim Hougan, *Spooks*, 398. Cf. Denny Walsh, *New York Times*, January 21, 1974; Gerth, in *Government by Gunplay*, 137-39.

<sup>86</sup> Block, *Masters of Paradise*, 94-96; Summers with Swan, *The Arrogance of Power*, 244-45. Benguet Mines have also been associated with Yamashita’s gold (Seagrave, *Gold Warriors*, 147; Scott, *American War Machine*, 322n15).

<sup>87</sup> Summers with Swan, *The Arrogance of Power*, 244-45, 253-54.

<sup>88</sup> Scott, *American War Machine*, 71-72. Cf. *Wall Street Journal*, April 18, 1980: "In 1951, Mr. Helliwell helped set up and run Sea Supply Corp., a concern controlled by the CIA as a front. For almost 10 years, Sea Supply was used to supply huge amounts of weapons and equipment to 10,000 Nationalist Chinese [KMT] troops in Burma as well as to Thailand's police."

<sup>89</sup> In the course of Operation Safehaven, the U.S. Third Army took an SS major "on several trips to Italy and Austria, and, as a result of these preliminary trips, over \$500,000 in gold, as well as jewels, were recovered" (Anthony Cave Brown, *The Secret War Report of the OSS* New York: Berkeley, 1976], 565-66).

<sup>90</sup> *Who's who in Finance and Industry*, Marquis Who's Who, 1979, 568.

<sup>91</sup> Kessler, *Richest Man in the World*, 238-41; Scott, *American War Machine*, 161-62.

<sup>92</sup> The operation kept the name "Safari Club" even after moving from Khashoggi's Club to a permanent headquarters in Cairo.

<sup>93</sup> Ibrahim Warde, *The price of fear: the truth behind the financial war on terror* (Berkeley: University of California Press, 2007), 133. Cf. Lacey, *Inside the Kingdom*, 66, 72, 76.

<sup>94</sup> Christopher Byron, "The Senate look at BCCI," *New York Magazine*, October 28, 1991, 20-21.

<sup>95</sup> Lacey, *Inside the Kingdom*, 66. Cf. John Cooley, *Unholy Wars* (London: Pluto Press, 1999), 24-27.

<sup>96</sup> Joseph J. Trento, *Prelude to terror: the rogue CIA and the legacy of America's private intelligence network* (New York: Carroll & Graf, 2005), 104-05. Kevin Phillips also notes that "Bush cemented strong relations with the intelligence services of both Saudi Arabia and the shah of Iran. He worked closely with Kamal Adham, the head of Saudi intelligence" (Kevin Phillips, "The Barrelling Bushes," *Los Angeles Times*, January 11, 2004).

<sup>97</sup> Trento, *Prelude to terror*, 113-14.

<sup>98</sup> Phillips, "The Barrelling Bushes," *Los Angeles Times*, January 11, 2004.

<sup>99</sup> Trento, *Prelude to Terror*, 139.

<sup>100</sup> There is no published evidence that Copeland was involved in the Safari Club covert operations. But it may be significant that Copeland's activity of advising the Egyptian Army became after the creation of the Safari Club a franchise of a "private" U.S. firm, J.J. Cappucci and Associates, owned by Theodore Shackley (Trento, *Prelude to Terror*, 150, 247).

<sup>101</sup> Kerry-Brown Report, Part 11, "[BCCI, the CIA and Foreign Intelligence](#)."

<sup>102</sup> Dan Bawley, *Corporate Governance and Accountability: What Role for the Regulator, Director, and Auditor?* (Westport, CT: Quorum, 1999). 37.

<sup>103</sup> Bawley, *Corporate Governance and Accountability*, 37.

<sup>104</sup> [“Revealed – the capitalist network that runs the world.”](#) New Scientist, October 24, 2011.

<sup>105</sup> Scott, American War Conspiracy, 163; quoting from Peter Truell and Larry Gurwin, False Profits: The Inside Story of BCCI, the World’s Most Corrupt Financial Empire (Boston: Houghton Mifflin, 1992), 384 (“ties”).

<sup>106</sup> [“Saudi prince ‘received arms cash’,”](#) BBC, June 7, 2007. It is unclear whether payments continued after 2001, when the UK signed the OECD’s Anti-Bribery Convention, making such overpayments illegal.

<sup>107</sup> Robert Lacey, Inside the Kingdom: Kings, Clerics, Modernists, Terrorists, and the Struggle for Saudi Arabia (New York: Penguin Books, 2009), 108.

<sup>108</sup> Amy B. Zegart, Flawed by Design: The Evolution of the CIA, JCS, and NSC (Stanford: Stanford UP, 1999), 189; citing Christopher Andrew, For the President’s Eyes Only (New York: HarperCollins, 1995), 172; see also Church Committee, Final Report, Book 4, 28-29.

<sup>109</sup> Former Turkish President and Prime Minister Suleyman Demirel commented that “In our country... there is one deep state and one other state.... The state that should be real is the spare one, the one that should be spare is the real one” (Jon Gorvett, [“Turkey’s ‘Deep State’ Surfaces in Former President’s Words, Deeds in Kurdish Town,”](#) Washington Report on Middle East Affairs, January/February 2006);, quoted in Scott, American War Machine, 24.